

AYRSHIRE ECONOMIC JOINT COMMITTEE

MEETING – 20 NOVEMBER 2023

REPORT BY HEAD OF ECONOMIC GROWTH EAST AYRSHIRE COUNCIL

**SUBJECT: AYRSHIRE GROWTH DEAL -
PROGRAMME RISK REGISTER UPDATE (OCTOBER 2023)**

PURPOSE OF REPORT

1. To advise the Economic Joint Committee on the update for the AGD Programme Risk Register as of the end of October 2023. Please note this is further update to that report to the 7 September 2023 Partnership Board.

RECOMMENDATIONS

2. It is recommended that Members agree the content of the:
 - (i) The updated Programme Risk Register dated October 2023

BACKGROUND

3. The Ayrshire Economic Joint Committee (AEJC) (dated 26 June 23) approved the quarterly review and reporting of the AGD Programme Risk Register as a separate item on future AEPB and AEJC meetings.
4. The attached (Appendix 1) provides the latest update of the Programme Risk Register. This has been informed by the risk register of all projects within the programme. The top scoring programme and project risks are reported to the Chief Executives Group, Steering Group, AEPB and AEJC on a regular basis via the sharing of the monthly reports.

MAIN REPORT

5. The PMO has undertaken further a review of the Programme Risk Register in line with the recommendations of the AEJC. This has included reviewing the nature of the risks, their RAG status/scoring, and in the mitigation measures used to reduce the potential of risk. This review has been informed by the P7 October Monthly Report (as considered elsewhere on the agenda).
6. Further discussions have been held with the Government in order to

explore the best way to manage the challenges partners are experiencing on delivering key capital projects. Initial discussions have identified the potential for the Programme to undergo a midterm review, in line with the AGD Governance. This is referenced as a 'Checkpoint Review' (para 3.5 Governance Document v15 December 22). This states the following:

A Checkpoint Review process will be developed and agreed with partners and governments to examine both the Growth Deal programme and component projects at key decision points in their lifecycle. It will look ahead to provide assurance that projects can progress successfully to their next stage.

7. The Government has advised that the review should be entitled as a Programme Review 23/24 which will inform the financial year 24/25. The process of the Review is still early in its execution. Further details of the steps, scope, approach and timelines are provided elsewhere on the agenda under the AGD Programme Update item.
8. Therefore based on the Review at this point in time, no substantial changes are yet proposed to be made to the Register in terms of the risks identified and their RAG status. However amendments have been made to some of the mitigation measures in reflection of the proposed undertaking of a Programme Review of the programme and its projects. These changes are highlighted 'red underscored' textual changes in the attached (Appendix 1)
9. In the meantime the six risks identified with a 'red' RAG status still remain. These are:
 - (i) AGDRISK01 - Failure to achieve AGD programme objectives within agreed budget
 - (ii) AGDRISK02 - Failure to provide accurate projections for programme spend
 - (iii) AGDRISK03 - Failure to drawdown full AGD funding
 - (iv) AGDRISK04 - Delays in development and approval of business cases
 - (v) AGDRISK10 - Lack of resources in PMO
 - (vi) AGDRISK21 - Potential impact of international events upon cost of living crisis and economic prosperity of Ayrshire
10. At a project level, individual reviews are still underway. These reviews will inform the Programme Review where timings permit. Projects that are expected to undergo reviews in the near future, and are likely to be subject to change management include the Digital Programme (as reported previously to the Board) , Spaceport (being considered elsewhere on the agenda) and other key projects in the Prestwick cluster, AMIC and Moorfield. Other projects that may be subject to re-scoping include Marine Tourism and Hunterston.
11. Collectively once the review of projects have been completed then the level

of risk identified on the Programme Register should start to be reduced, in particular for the 'red' risks (AGD RISK01-04)

12. Finally discussions continue between the three Ayrshire Councils as the funders to help de-risk issues around PMO resources (AGDRISK10). Progress is being made on filling the current vacancy for the AGD Programme Manager and Business Support Assistant.
13. In conclusion it is considered that the Programme Risk Register continues to provide a more realistic reflection of the state of the challenges the programme are facing. 'Behind the scenes' senior management, project leads are working towards reviewing the deliverability of both the programme and individual projects so that they still meet the objectives and desired outcomes of the Deal. This activity is being undertaken in consultation with the Governments, so that we can all reach a satisfactory conclusion. Once completed partners should start to see amendments in the Risk Register and the de-risking of the risks identified with a 'red' RAG status.

IMPLICATIONS

14. Eight implications have been considered in the preparation of this report.

Implications	Yes	No	Paragraph number in report
1. Policy/Strategic Planning	Yes		Para 15
2. Governance/Legal	Yes		Para 18
3. Human Resources	Yes		Para 19
4. Equality and Fairer Scotland Duty	Yes		Para 20
5. Financial	Yes		Para 17
6. Risk	Yes		Whole paper
7. Community Wealth Building		No	
8. Net Zero		No	

ALIGNMENT WITH SUSTAINABLE, INCLUSIVE GROWTH AMBITIONS

15. Inclusion is a key driver for the AGD. Deal business cases for projects demonstrate how they will reduce inequalities and tackle the inclusion challenges specific to Ayrshire.
16. The Risk Register provides the framework for reviewing the challenges the Deal needs to address and enables effective mitigation measures to be undertaken that include meeting the headline Deal objective of delivering inclusive growth.

FINANCIAL IMPLICATIONS

17. It is accepted by the Ayrshire Councils and the Government that risks should be managed and mitigated where necessary in order to support the

effective delivery of projects and the programme.

LEGAL IMPLICATIONS

18. The legal implications arising from this report are covered through the Agreement between the three Ayrshire's Councils and the recently revised Governance Document which was approved at the Joint Committee meeting on 8 December 2023.

HUMAN RESOURCES IMPLICATIONS

19. There are no immediate human resource implications arising from this report. However for the risk associated with lack of resources in PMO to be addressed there could be human resource implications.

EQUALITY IMPACT ASSESSMENT

20. There is no direct equalities impact relating to this report. Inclusion is a key driver for the AGD. Project leads will be required to complete an Equality Impact Assessment for their project and append to the associated business case. Project leads have received Equality Impact Assessment training organised by the Scottish Government. Project Leads are being encouraged by the PMO to link up as soon as possible with their Equalities Officer within their authority who will be able to assist with this matter.

APPENDICES

Appendix 1: Updated Risk Register – October 2023

Background Papers:

[Heads of Terms](#), signed by both the UK and Scottish Governments and Ayrshire's Councils on 8 March 2019

[Deal Document](#), signed by both the UK and Scottish Governments and Ayrshire's Councils on 19 November 2020

Members requiring further information should contact:

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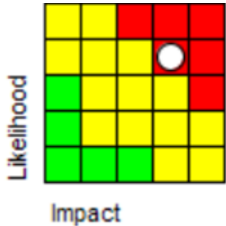
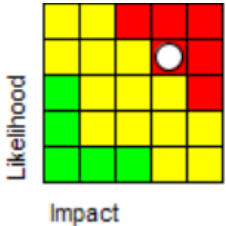
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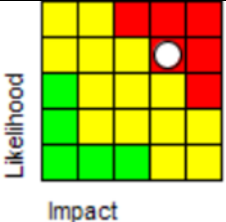
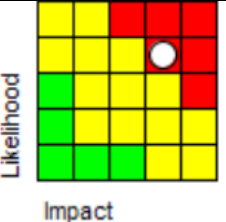
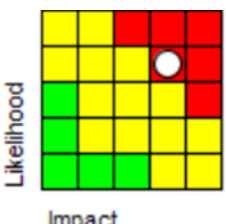
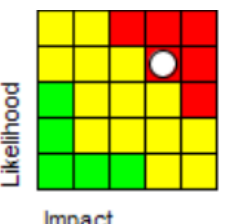
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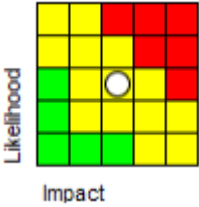
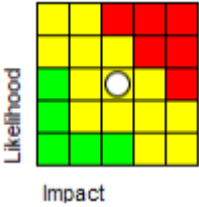
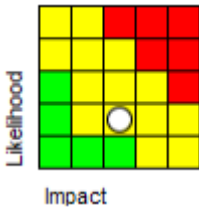
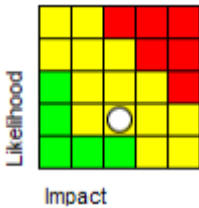
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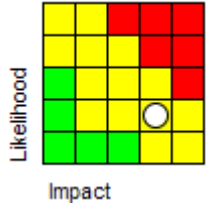
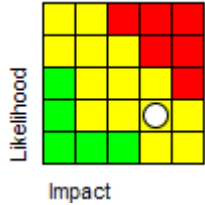
AYRSHIRE GROWTH DEAL UPDATED PROGRAMME RISK REGISTER (RISKS AND MITIGATIONS) – OCTOBER 2023

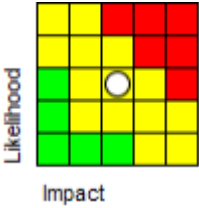
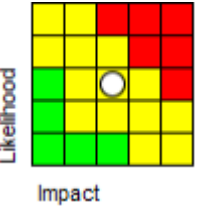
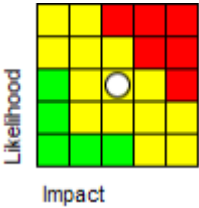
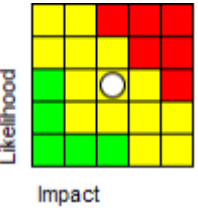
RISK	Current Matrix and Score	Proposed Matrix and Score	MITIGATION
<p>AGDRISK01 Failure to achieve AGD programme objectives within agreed budget</p> <p>Scoring – 16 NO CHANGE IN SCORING</p>	<p>Score 16</p> <p>Likelihood</p> <p>Impact</p>	<p>Score 16</p> <p>Likelihood</p> <p>Impact</p>	<ul style="list-style-type: none"> • The Regional Economic Joint Committee, Regional Economic Partnership, AGD Steering Group in place to monitor progress and to address any weaknesses or issues that could impact on overall delivery • PMO developing monitoring and evaluation processes to ensure overall objectives are captured and any project failing to achieve and contribute to these is flagged and issues addressed as quickly as possible. This includes responding to increasing costs of general capital works within the context of the original funding made available by the Government in 2019. Leading to potential to review risks where evidence suggests insufficient funding to undertake and complete projects in line with expected outcomes. • <u>PMO are working with Partners in undertaking a Programme Review in line with the AGD Governance.</u> • PMO undertake ongoing environmental analysis to ensure programme objectives are relevant/valid as well as maximised where relevant and new benefits identified when materialising. • Internal governance include regular reviews undertaken by PMO with input from SROs, Project Leads and Chief Executives to ensure AGD

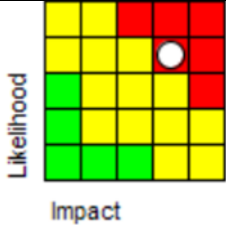
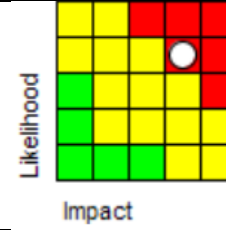
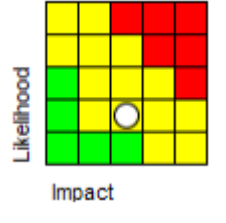
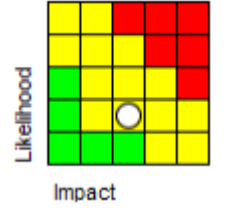
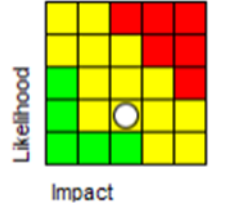
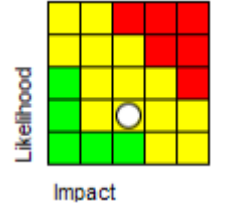
<p>AGDRISK02 Failure to provide accurate projections for programme spend</p> <p>Scoring - - 16 NO CHANGE IN SCORING</p>	<p>Score 16</p> 	<p>Score 16</p> 	<p>programme objective are met.</p> <ul style="list-style-type: none"> • Issues will be escalated to CEOs, Regional Economic Partnership and Regional Economic Joint Committee as appropriate • <u>PMO working with Partners in undertaking a programme midterm Programme Review in order to clarify accurate projections for project and programme spend and delivery.</u> • The Implementation Plan and Financial Plan have been updated to take account of the compressed funding. Project Leads have sought to address delays in gaining approved FBCs, by undertaking reviews of projects to fit existing budgets, which are shared with Finance Directors, the government and wider partners. Revised project mitigation measures seek to demonstrate how inflationary pressures will be managed • Business Case process monitored to ensure streamlined pathway to approval enabling projects to achieve FBC as quickly as possible to reach project delivery and clarity on expected spend. • PMO will regularly review, challenge and agree financial profiling/phasing with Project Leads, SROs and Finance Directors and ensure drawdown projections align with delivery timescales • OBCs/FBCs include an optimism bias factor as per Treasury Green Book and AGD Governance document • Inflationary factor addressed through project reviews e.g. re-scoping, phasing and reviewing benefits
<p>AGDRISK03 Failure to drawdown full AGD</p>	<p>Score 16</p>	<p>Score 16</p>	<ul style="list-style-type: none"> • PMO will regularly review, challenge and agree financial profiling/phasing with Project Leads, SROs

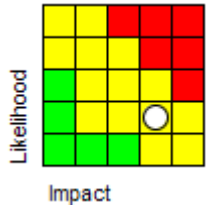
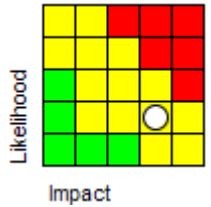
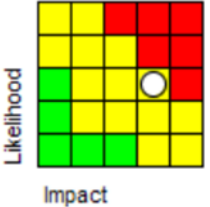
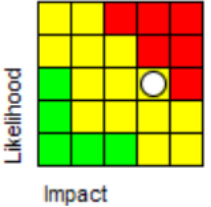
<p>funding</p> <p>Scoring - - 16 NO CHANGE IN SCORING</p>			<p>and Finance Directors and ensure drawdown projections align with delivery timescales. This includes PMO working with Project Leads, SRO's and S95's to ensure projects can be realised and help with change processes where necessary; and undertaking effective communication with Governments to ensure projects can be realised</p> <ul style="list-style-type: none"> • PMO working with Partners in undertaking a Programme Review in order to clarify accurate projections for project and programme drawdown on AGD funding. • Achieve business case approval in line with latest Deal Implementation Plan, and AGD Governance document and, Finance guidance • Annual review of Financial Plan and Implementation Plan • The Scottish Government's financial reporting requirements will be implemented • Pivot projects proactively where possible in line with need and opportunity • Internal procedures, financial controls and processes in place to mitigate this risk
<p>AGDRISK04 Delays in development and approval of business cases</p> <p>Scoring - 16 NO CHANGE IN SCORING</p>	<p>Score 16</p> 	<p>Score 16</p> 	<ul style="list-style-type: none"> • Undertake focused engagement with SG and UKG in order to help ensure SBC, OBC and/or FBC comply with the Treasury Green Book and gain approval pin line with AGD governance • PMO working closely with Project Leads and Policy Leads within UK and Scottish Governments to support business case development and approval to an agreed timeline. This includes exploring a streamlined change process (pre-FBC) particularly where budget constraints are sole driver of change. In addition as part of a Programme Review,

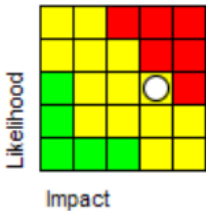

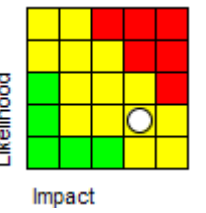
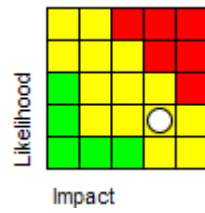
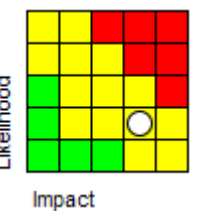
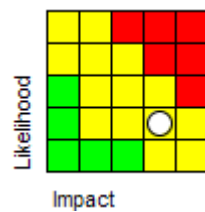
			<p><u>reschedule business case timescale for development and delivery.</u></p> <ul style="list-style-type: none"> • Project Leads have received Green Book business case training • Project Leads' toolkit in place • Other partners assisting in developing business cases where capacity is low
<p>AGDRISK05 Failure to capture accurate baseline data</p> <p>Scoring – 9</p> <p>NO CHANGE IN SCORING</p>	<p>Score 9</p> 	<p>Score 9</p> 	<ul style="list-style-type: none"> • Project Leads required to establish appropriate economic, social and environmental baseline information in business cases • Establish and regularly review achievable outcomes, output and targets as part of the development and delivery of projects and realization of benefits in line with the Benefits Realisation Plan
<p>AGDRISK06 Failure to deliver community benefits from AGD</p> <p>Scoring – 6</p> <p>NO CHANGE IN SCORING</p>	<p>Score 6</p> 	<p>Score 6</p> 	<ul style="list-style-type: none"> • PMO and procurement managers from the three Ayrshire Councils have developed a AGD Community Benefit Tracker, a single mechanism to monitor delivery of community benefits so that remedial action can be taken if required • Result from the AGD Community Benefits Tracker system will be analysed and reported to the Regional Economic Partnership and Regional Economic Joint • PMO working with Project Leads to develop consistent approach to embedding inclusive growth, equalities, clean growth, and community wealth building within business cases through the Annual Performance Report • Procurement working group has been established and operates in order to support delivery of community benefits which includes development of a Community Benefits Tracker and coordination of

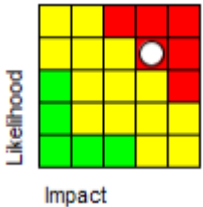
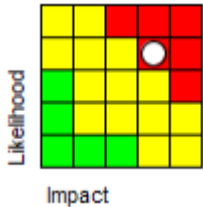
			procurement approaches so they support the development and delivery of projects
<p>AGDRISK07 Failure to deliver individual projects within the AGD programme</p> <p>Scoring – 8</p> <p>NO CHANGE IN SCORING</p>	<p>Score 8</p> 	<p>Score 8</p> 	<ul style="list-style-type: none"> • Regular dialogue/reporting around progress takes place between PMO and Project Leads where issues are raised in advance and if appropriate escalated to government, Regional Economic Partnership and Regional Economic Joint Committee, this includes early discussions with both UK and Scottish Government • The Regional Economic Joint Committee, Regional Economic Partnership, AGD Steering Group and Project Boards in place to monitor project development, via monthly reports • Partners are regularly reviewing the AGD Benefits Realisation Plan every 6 months and reported to the Regional Economic Partnership and Regional Economic Joint Committee • Current change management process incorporated in the AGD Governance document and regularly reviewed. • <u>PMO working with Partners in undertaking a Programme Review. This will be informed by a review of individual projects deliverability and timescales.</u> • Risk register in place for each project which is regularly reviewed via monthly reports, quarterly reports and when updating the Implementation Plan • Project risk registers included in business cases which are formally approved by government and Regional Economic Joint Committee • Management Information System in place and used to track progress of projects against key milestones, and reported via monthly and quarterly reports

<p>AGDRISK08 Inadequate recognition of interdependencies and/or knock-on impacts between parts of the programme leading to issues with delivery and/or lost opportunities</p> <p>Scoring – 9</p> <p>NO CHANGE IN SCORING</p>	<p>Score 9</p> 	<p>Score 9</p> 	<ul style="list-style-type: none"> • Programme meetings take place regularly between PMO, Project Leads and partners to ensure interdependencies are recognised and considered; and incorporated in approved business cases • PMO working closely with project leads to ensure interdependencies are fully articulated within the project business cases and for the programme as a whole. • All forms of interdependencies are monitored and managed to help enable the development and delivery of all Deal projects
<p>AGDRISK09 Lack of resource within partner organisations to deliver projects in line with AGD programme</p> <p>Scoring – 9</p> <p>NO CHANGE IN SCORING</p>	<p>Score 9</p> 	<p>Score 9</p> 	<ul style="list-style-type: none"> • Formal approvals of Councils' resources are now in place for AGD projects • Each Council has appointed staff and/or consultants to support project development and delivery • Each project currently has a Project Lead in place • Partners including SE are providing additional resource to relevant projects • Resources committed to the delivery of the programme, with further discussions underway to explore how to deliver the recently approved Regional Economic Strategy • Other funding streams is being explored to support ongoing revenue costs • Anticipated revenue streams will be subject to constant review through the monitoring procedures in place for AGD
<p>AGDRISK10 Lack of resources in PMO</p> <p>Scoring – - 16</p>	<p>Score 16</p>	<p>Score 16</p>	<ul style="list-style-type: none"> • A permanent PMO structure is in place but not all posts are currently filled, with recruitment now underway to start completing the team • The PMO is being supported by colleagues in each of the Councils in a number of work streams

<p>NO CHANGE IN SCORING</p>			<ul style="list-style-type: none"> PMO undertaking a review of capacity and skill sets in response to the changing requirements of the Office to service the deliver the Programme.
<p>AGDRISK11 Inadequate governance arrangements to support AGD delivery</p> <p>Scoring - 6</p> <p>NO CHANGE IN SCORING</p>	<p>Score 6</p> 	<p>Score 6</p> 	<ul style="list-style-type: none"> In accordance with AGD governance, Ayrshire Economic Joint Committee and Ayrshire Regional Economic Partnership has been formed and regular meetings are in place Scottish Government's financial reporting requirements have been implemented in the AGD Governance document and Financial guidance Partner agreement between EAC, as Accountable Body for the Deal, and North and South Ayrshire Councils has been drawn up and terms agreed PMO working with both governments to agree an overarching Monitoring and Evaluation Framework for the Deal Partners working together with both governments to keep under review the AGD Benefits Realisation Plan Current change management process to be reviewed with the governments and partners AGD is standing item on CEOs' meeting agenda
<p>AGDRISK12 - Monitoring & Evaluation Framework is not sufficiently defined</p> <p>Score - 6</p> <p>NO CHANGE IN SCORING</p>	<p>Score 6</p> 	<p>Score 6</p> 	<ul style="list-style-type: none"> PMO is working with both governments to agree an overarching Monitoring and Evaluation Framework for the Deal which will be published in <u>Spring 2024</u> and placed on the AGD web site. This will clarify existing acceptable M&E arrangements.

<p>AGDRISK13 Failure to attract commercial interest in AGD</p> <p>Scoring – 8</p> <p>NO CHANGE IN SCORING</p>	<p>Score 8</p> 	<p>Score 8</p> 	<ul style="list-style-type: none"> • Undertake with communications and economic development teams, a market campaign will be developed, as part of Communication Plan and target potential investors • Communications Action Plan continues to be developed and updated, including a pipeline of project specific communications plans • Regular briefings with a range of stakeholders • Wider Ayrshire Economic Strategy is now approved by the Regional Economic Joint Committee and will ensure wider growth ambitions for Ayrshire are achieved
<p>AGDRISK14 Programme not communicated effectively to stakeholders outwith Governance structure</p> <p>Scoring 12</p> <p>NO CHANGE IN SCORING</p>	<p>Score 12</p> 	<p>Score 12</p> 	<ul style="list-style-type: none"> • Communications Action Plan completed and regularly updated, in conjunction with communication teams. This includes reporting on past and future communication activity AGD website launched and to be reviewed in conjunction with communications teams, in order to increase traffic and sharing of AGD information • AGD social media channels to be reviewed in conjunction with communications teams, with greater linkages made to activity related to the AGD and its progress • Regular briefings with a range of stakeholders via AGD programme update to the Regional Economic Partnership and Regional Economic Joint Committee • Communications Protocol in place and reviewed and updated annually, with activity regularly identified and delivered with the support of communication teams. • Resource within AGD to market and promote project activities and overall programme

<p>AGDRISK15 Supply phasing within overall programme</p> <p>Scoring – 12</p> <p>NO CHANGE IN SCORING</p>	<p>Score 12</p> 	<p>Score 12</p> 	<ul style="list-style-type: none"> Engagement undertaken in 2022 with the construction sector in order promote and explain the potential of the AGD programme to local businesses, so increase Invitation to Tender for future contracts. PMO regularly help facilitate and update Procurement teams of the AGD programme and relevant projects in terms of timescale for development and delivery. This includes how to manage expected peaks in programme activity and need for contracts to be advertised and managed. Market engagement through the Meet the Buyer events with the next being held in the Autumn 2023 PMO working with procurement in supporting the sharing of market intelligence and the phasing of development activity
<p>AGDRISK19 Loss of IT systems</p> <p>Scoring – 8</p> <p>NO CHANGE IN SCORING</p>	<p>Score 8</p> 	<p>Score 8</p> 	<ul style="list-style-type: none"> PMO hosted by EAC and as such supported by IT recovery protocols and security systems of EAC to limit risk and mitigation measures Corporate IT recovery protocol and security systems limit the risk and mitigation measures Contingency Plan in place via EAC for the PMO, by SAC for the portal, and for the AGD teams across the three councils, by their respective employer (e.g. EAC, SAC, NAC)
<p>AGDRISK20 Failure to ensure AGD projects align with a net zero transition</p> <p>Scoring – 8</p> <p>NO CHANGE IN SCORING</p>	<p>Score 8</p> 	<p>Score 8</p> 	<ul style="list-style-type: none"> PMO and Project Leads working with Scottish Government to ensure the Deal is aligned with Scotland’s transition to net zero carbon emissions by 2045 UK and Scottish Governments developed carbon management guidance for the AGD, as well as other City Region and Growth Deals in Scotland, which will allow the carbon emissions impact of the

			<p>programme and projects to be assessed then minimised</p> <ul style="list-style-type: none"> • A carbon management process appropriate for each project has been put in place to ensure any carbon emissions impact is minimised via business case process • PMO working with both governments to identify funding opportunities to support decarbonisation • PMO is working with both governments to agree an overarching Monitoring and Evaluation Framework for the Deal
<p>NEW - AGDRISK21 Potential impact of international events upon cost of living crisis and economic prosperity of Ayrshire</p> <p>Scoring – 16</p> <p>NO CHANGE IN SCORING</p>	<p>Score 16</p> 	<p>Score 16</p> 	<ul style="list-style-type: none"> • Regular engagement with Project Leads to highlight any risks well in advance, so that the PMO can raise with government, Regional Economic Partnership and Regional Economic Joint Committee as appropriate • <u>PMO working with Partners in undertaking a Programme Review in response to the impact of costs pressures upon the delivery of the programme.</u> • Regular review via monthly reports of outputs and timelines for business cases at every stage of development in the light of external events • Continued monitoring of external environment and government relations • Regional Economic Strategy approved in early 2023 and be supported by an emerging action plan • Regional Economic Partnership will provide voice for Ayrshire to press the case for government intervention investment • Incentives and other forms of assistance to complement the AGD and stimulate greater economic activity

			<ul style="list-style-type: none">• Current change management process to be reviewed with both governments and partners• Regional Skills Investment Plan developed, with a focus on its implementation via Ayrshire Skills Group• Robust data analysis shared amongst key partners and stakeholders to reach common understanding of local economic conditions, leading to early identification of real threats and opportunities - achieving consensus with partners and stakeholders on strategic objectives for inclusive and sustainable economic growth, with effective action planning and monitoring• PMO co-ordinated evidence across Deals and submitted collective case via the Implementation Plan update to both governments setting out impact of increased costs or reduced the scope/outputs and time delivery if costs not met• PMO developing a baseline approach to FBC which will be shared with both governments and partners
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